

Nearly half Washington's emissions come from driving cars and trucks and other vehicles. The reinvestment of program revenues in a new transportation sustainability account will help expand transit.

Carbon Pollution Accountability Act Revenue Investment Plan

Governor Jay Inslee proposes to create a new market-based carbon pollution reduction program. The program will require major emitters of greenhouse gases emissions to purchase permits known as “allowances” equal to their emissions.

Major emitters include manufacturing facilities, power generators and transportation fuel providers. Allowances will be sold through public auction several times a year. The total supply of allowances available for auction will decrease over time, leading to a reduction in total carbon emissions so that the state achieves the limits on carbon pollution currently in law by 2020, 2035 and 2050.

The sale of allowances will generate significant revenue each year. The Governor’s proposal identifies five key goals for the use of program revenue:

- » Support transportation safety and maintenance needs and further emissions reductions through transit investments.
- » Fund public education priorities.
- » Assist low-income communities overcome possible disproportionate impacts.
- » Safeguard competitiveness of Washington state businesses, including support for forestry and rural communities.
- » Spur innovation and growth in Washington’s clean energy sector.

Proposed investment plan – fiscal year 2017

The Office of Financial Management has estimated that the sale of allowances will generate \$947 million in state fiscal year 2017. These funds will be invested in the following ways:

Clean and safe transportation (\$400 million): Nearly half of Washington’s emissions come from transportation, including cars, trucks and other transportation. The reinvestment of program revenues in a new transportation sustainability account will help expand transit. This will reduce vehicle-related emissions, improve the health of communities whose residents live near transit corridors, and provide affordable commuting and travel options to lower- and middle-income families. These investments also support much-needed safety and maintenance improvements in our infrastructure that will create thousands of working- family jobs.

Priorities are:

- » Improve all bridge and highway structures to 95 percent fair or better condition.
- » Complete seismically at-risk structures such as the state Route 520 floating bridge and the Mukilteo and Colman ferry terminals.
- » Save lives on the road through additional rumble strips, guardrails, illumination and improved signals.
- » Multi-modal – transit capital and operations; bike/pedestrian infrastructure
- » Electric vehicle charging infrastructure and incentives; clean cars
- » Culverts, stormwater control
- » Maintenance and operations (bridge and highway safety)
- » Local government transit operations

Essential education (\$380 million): To support the education needs of our students and in response to the Washington State Supreme Court's McCleary decision on basic education funding, program revenues would help the state fund education without cutting other essential human services by supporting:

- » K-12 and higher education
- » Early learning
- » Full-day kindergarten
- » Closing the opportunity gap
- » Services for middle school and high school students to promote higher graduation rates and readiness for post-graduation opportunities

Forty percent of program revenues will be deposited annually thereafter in the State General Fund.

Thriving communities (\$163.5 million): Low-income families spend a greater portion of their income on energy and fuel costs. To avoid unintended, disproportionate impacts of energy price increases, the state will return revenue to low-income communities through programs that offset energy and housing expenses. It will also re-invest in the industries that are most affected by high energy costs to help ensure they remain competitive. Funds will be distributed as follows:

- » Working Families Tax Rebate (\$108 million in fiscal year 2017, growing over time)
- » Housing Trust Fund (\$15.5 million in fiscal year 2017, growing over time)
- » Forestry and Rural Community Economic Investment Program (\$20 million)
- » Washington Manufacturing Competitiveness tax credit (\$20 million)

Administration (\$3.5 million): A small portion of program revenues will be used for program administration, including:

- » Coordination of the regional auction allowance
- » Tracking of emissions inventory
- » Monitoring and verification
- » Market monitor contracting
- » Technical assistance